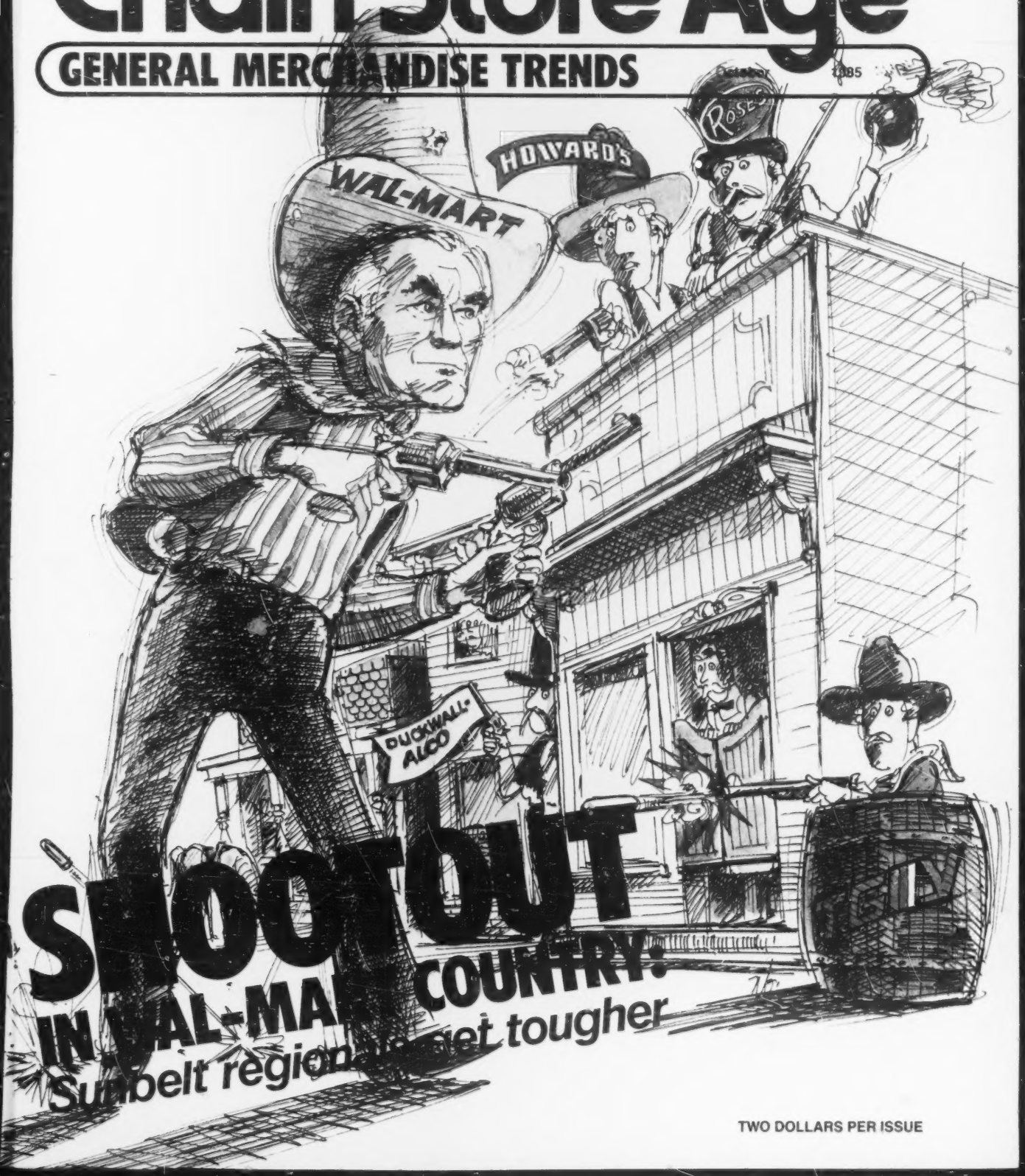
Montgomery Ward's prototype

Is 8mm the future in home video?

Chain Store Age

GENERAL MERCHANDISE TRENDS



SHOOTOUT

IN WAL-MART COUNTRY:

Sunbelt region set tougher

TWO DOLLARS PER ISSUE

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lion with the new look they have "all bought the farm."

The gutsy move—a make or break chance for Ward—is welcomed by the financial community. "I think they've hit it right on the button," says Mesirow & Co. analyst John Landschulz. He also applauds Ward's painful, albeit necessary, shuttering of its unprofitable catalog business (it lost $1.3 billion last year).

Ironically, Brennan thinks the numbing closure of the 113-year-old catalog business will actually help Ward past its toughest hurdle—keeping the look fresh. Before, buyers bought for both the catalog and the retail stores (35% of the merchandise overlapped) and that kept the stores from being up to date. With catalog abolished, Brennan says, buyers should be able to stay trendy.

Will a new fashionable look be enough to draw customers to Ward? "If you are a specialist and you have compelling merchandise, you can get customers into your store," insists Brennan.

"And as far as our locations being bad," he chides, "you wouldn't believe how may retailers came calling when they thought we were for sale 12 weeks ago—they can't be that bad." □

Some retailers and vendors think the country's patriotic revival will prompt consumers to buy American. "Made in the USA" may become a new rallying cry.

Will new patriotism reshape market?

***U.S.-made products** often cannot compete with foreign goods' low prices.*

One of this Christmas' most popular greeting cards promises to be a number from Joli Greeting Card Co. which offers a wry comment on the resurgence of patriotism in America.

"I wish you a typical American Christmas," reads the face of the card, which is decorated with a red, white and blue candy cane. On the inside the card continues, "With your tree coming from Canada, the ornaments from Japan, the lights from Hong Kong, and the idea from Bethlehem."

That simple message handily expresses what has become one of the major ironies of the business of marketing and merchandising consumer products in this country. If patriotism can be measured by the fervor with which we cheer our Olympic athletes, or the success of movies about rescuing POWs in Southeast Asia, then Americans are certainly imbued with a renewed sense of pride in this country.

At the same time, our appetite for products made in other countries grows, unabated, even in the face of almost daily stories about plant closings and jobs lost here in the States. To the affluent prestige now means a car by Mercedes Benz or cutlery by Henckel. To the budget-conscious, saving means a dress shirt tailored in the Orient, a microwave oven built in the Orient, a 35mm camera imported from . . . well, the Orient.

Quite frankly, Americans do not seem to be putting their money where their patriotism is.

Buying American: Some retailers and manufacturers, however, think that may be about to change. They point to studies which suggest Americans might buy more domestic products if they were prodded to do so. They add that the new sense of patriotism offers opportunities to create excitement in stores with promotions tied more strongly than in the recent past to American symbols and holidays.

But the road back for some American products will not be easy. No amount of flag waving, according to extensive consumer research done for *Chain Store Age*, will help products which can't compete on price or quality with foreign goods. A recent *CSA*/Leo J. Shapiro & Associates study, for instance, found that consumers ranked nine other factors, including workmanship, price, and brand name ahead of country of origin when deciding to buy a product. What was most telling about the research was the finding that the most coveted consumers—the young and those earning better than $40,000 a year—were least interested in where a product is made. Of those earning more than $40,000, 61% rated country of origin of very low im-

Consumers rate country of origin least important in apparel			
	Importance of country of origin (high)	(middle)	(low)
Adult clothing/shoes	4.7%	37.9%	57.4%
Home electronics/camera	6.5	39.1	54.4
Housewares	8.0	36.3	55.7
Furniture	2.7	37.3	60.0
Major appliances	7.8	39.2	53.0
Hardware/lawn & garden	15.4	43.6	41.0
Children's clothing	5.0	40.0	55.0
Home textiles*	—	33.3	66.7
Sporting goods/recreation*	33.3	33.3	33.3
Other	3.7	51.9	44.4

*Small base
Source: *Chain Store Age*/Leo J. Shapiro & Associates

***Since competition is** so fierce, most phones are produced overseas.*

portance in the buying decision, while another 30% ranked it of just some importance. Of those under 30, 65% rated country of origin of small importance.

Even boosters of American products do not dispute such findings, but they argue that well-thought out promotional efforts can change the way consumers think. The Crafted With Pride In The USA Council, a group composed mainly of apparel and textile makers, says its research shows that country of origin jumps 50% in importance to consumers after they have seen ads prompting them to buy American. That is enough of a boost to make country of origin more important than brand name, says the council.

With those findings in mind the council is taking to television with two flights of commercials using stars like Bob Hope and O. J. Simpson to boost awareness of the Crafted With Pride In The USA label.

The council has another important message to bring to retailers: Take into account the services American vendors offer when comparing their products to imported goods. Many manufacturers say that retailers do not put a price tag on things like better dating, shorter lead times and local warehousing, which are just some of the advantages domestic vendors can offer a retailer.

Making it work: That message is not unlike the one Sam Walton sent to 3,000 American manufacturers in his now-famous letter offering Wal-Mart's help in boosting sales of American goods. After much initial publicity about the program, the chain's buyers are now trying to "make it work," says a spokesman for Wal-Mart. By midsummer Wal-Mart claimed that its program of converting to American manufacturers encompassed merchandise valued at about $80 million at retail.

Although many retailers express doubt that programs like that can have widespread impact, one element in Wal-Mart's effort does seem compelling. The chain is working not simply to get American-made products into its stores but to give business specifically to vendors who manufacture in its market areas. Wal-Mart's program is largely "buy regional," seeking to preserve jobs in the towns where Wal-Mart operates.

Others are also clearly aware of the value of promoting regional products. Goudchaux/Maison Blanche is currently in the midst of a two-week Salute to Louisiana promotion which features merchandise produced in the state as well as demonstrations and exhibits about the region's history. The promotion was designed to support the state Chamber of Commerce's "Pride in Louisiana" program.

As much as other retailers say they would like to buy more from American vendors, many contacted by *Chain Store Age* say the number of conversions to domestic producers is limited even when factors like better services are taken into account. Many buyers, in fact, reject the notion that they are not good enough at their business to figure such advantages as better dating and more co-op dollars into comparisons of American and imported goods.

"We're pretty good shoppers," says Howard Levine, senior vice president of merchandising at Family Dollar Stores. "Believe me, I don't like having to go overseas, and if I can do it here I do."

Retailers say they value the services they get from domestic vendors, but with competition at retail so intense, most buyers say they can't afford not to look overseas for sharp deals.

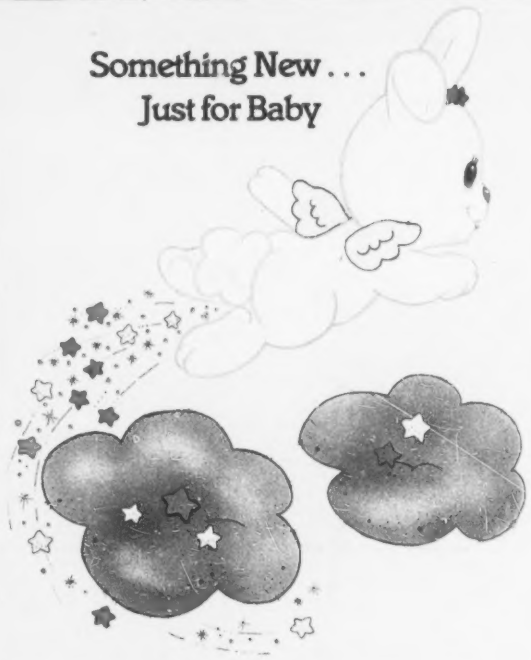
"Take a category like cookware. I can get the basics here, but by going overseas several times a year for opportunistic purchases I can bring in goods which can be promoted and still give us a good gross margin," says Robert Hope, division merchandise manager for housewares at Kohl's Department Stores.

Traditional values: Even if Americans are unwilling to pay a premium to "buy American," the revival of patriotism may help reshape the way many domestic products are marketed and merchandised. Despite the bulging trade deficit, most store shelves are still laden with American-made goods, many of which are now being featured in promotions tied to patriotic themes.

Perhaps the most visible use of an American theme in a promotion is Miller High Life's "Made the American Way" ad campaign, which has proved an enormous influence on many other types of consumer products. A spokesman for Miller quibbles with the word "patriotism," says the company's research showed what consumers were really ready to respond to were traditional American values: family, trust, quality workmanship.

Wrapped in those values, the patriotic revival also appears driven by a heavy dose of nostalgia, say

Something New . . .
Just for Baby



Your sales will be hopping with

Angel Bunny™

licensed products!

Now there's a character created especially for infants: Angel Bunny! Mattel conceived this irresistible personality to appeal to today's moms, dads and gift-buyers.

Millions in Marketing Support

As the proud parents of this new character, Mattel is giving Angel Bunny a proper start in life by investing in a multi-million dollar marketing campaign!

Already Ringing Up Sales

Pre-sold in the Infant Category, Angel Bunny was adopted by these licensees: Dundee Mills, Inc. (bedding and bath products), The William Carter Company (infant apparel, sleepwear, playwear), Roadmaster Corp. (walkers, infant bicycle seats, non-pedal ride-ons), Western Publishing Company, Inc. (storybooks), Hallmark Cards, Inc. (gift wrap, greeting cards, albums), Trimfoot Co. (infant footwear), Dolly Toy Co. (tidee-ups, lamps, pin-ups and switch plates), Vogart Crafts (craft kits/books), Nasta Industries (phonographs), and Artfaire, a div. of Fox Valley Corp. (party goods).

Angel Bunny was heaven-sent to make sales hop for you, too! So, see how the best for baby can be the best for your bottom line!

MATTEL LICENSING

For more information, call (213) 978-5574.

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some vendors. Harley-Davidson, the motorcycle company, says sales of licensed merchandise bearing its logos, which use American symbols, has reached an all-time high because of Harley's long tradition as an American company.

Everything from T-shirts and baseball caps to wall clocks with Harley's logos are now selling at places like K mart, J. C. Penney and Wal-Mart. The most popular Harley symbol: An eagle with crossed American and Confederate flags in the background.

One increasingly common way to get people to buy American is by offering them premiums which tap into their renewed sense of pride in America. Frigidaire, the appliance company, ran a "Great American Frigidaire Sale" earlier this year offering American flags with purchases of certain products made here in the States. (A few Frigidaire items are made overseas.)

Club Products, a housewares vendor, is going a step further. The company will sponsor an "Invest In America" campaign which will give consumers a $50 savings bond for every 10-piece holiday cookware set they buy. So far, says Gary Reifess, vp/marketing at Club, some 6,000 American jobs have been lost in the cookware industry, and he thinks Americans are ready to buy domestic products more often. "We all have a vested interest in continuing the manufacturing base of this country."

Lady Liberty at retail: At retail, enthusiasm is also growing for American-themed promotions. B. Altman, the New York department store company, beat many to the punch with its Inspiration: America promotion, designed as a counterpoint to the various celebrations and "Salute To" campaigns of other department stores which have featured imported goods.

A 16-page circular Altman's produced for the promotion featured American designers like Calvin Klein and Liz Claiborne, table settings based on American folk art themes by Pfaltzgraff and home textiles using American Indian themes by jack Lenor Larsen.

Perhaps the biggest retail effort centered around an American symbol will involve many different chains. Some 20,000 stores will soon begin setting up "official" Statue of Liberty merchandise centers filled with goods licensed by the Statue of Liberty-Ellis Island Foundation. Retailers as varied as K mart, Caldor, Bloomingdale's and Macy's have signed on to the program.

Going offshore: Does all of this signify a major change in the marketplace or just another fad? Much of that depends on just how deeply the patriotic revival goes. Even as we talk of "Great American" sales more jobs move offshore in categories where domestic vendors just can't seem to compete anymore. While this story was being prepared, in fact, AT&T announced it would move production of residential telephones to Singapore, laying off 875 workers at a Louisiana plant which makes those phones. Even in these patriotic times the move will not hurt AT&T sales, says Russ Glover, a company spokesman, because most residential telephones are already produced in other countries.

"To remain competitive we had to go offshore," he says. □

—Steve Malanga

Christmas shopping off to a slow start

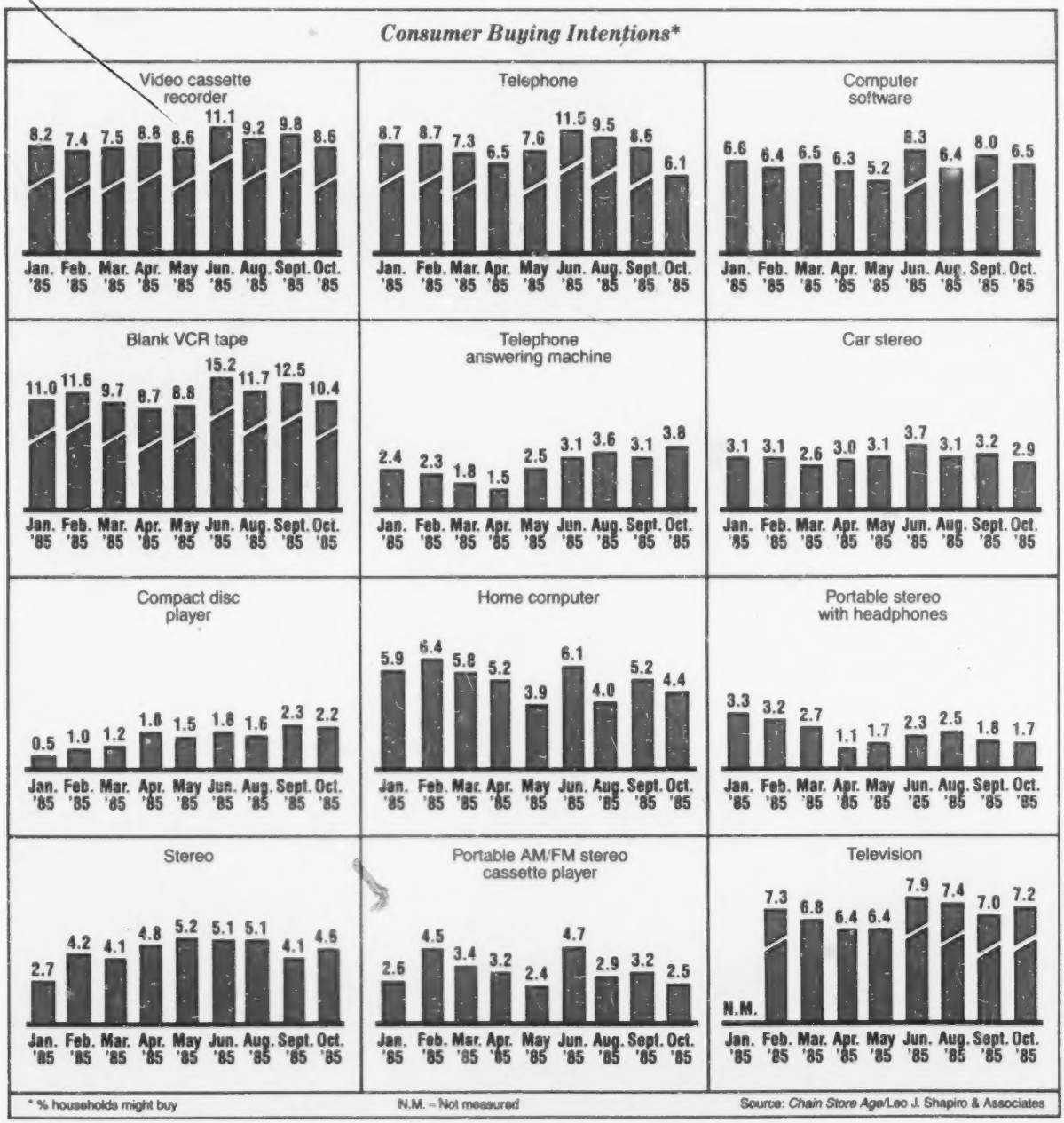
Just as the Christmas selling season is about to get under way, consumers look like they are doing an about-face. Only a month after expressing record high levels of interest in buying home electronics, consumer buying plans in the October MarkeTrends survey are dramatically lower.

For 9 of 12 categories tracked in the poll, consumer intent-to-buy has dropped in the last month. The sole exceptions are telephone answering machines, stereos and televisions.

The video cassette recorder is the most dramatic downtrender. Since a June high of 11.1%, the number of households that say they will buy a VCR in the next year has fallen to 8.6% in the most recent survey.

More ominous is the drop off in the number of consumers actively shopping for a video cassette recorder in the last 30 days. Last month, an all time high of 7.8% of households in the survey reported they were active shoppers. This month, the number has plummeted to 3.1%, the lowest total recorded in 1985.

On a more optimistic note, exactly half of the households which say they expect to buy a compact disc player in the next year report that they have already begun shopping in the last month. □


Consumer Buying Intentions*
Video cassette recorder
8.2 7.4 7.5 8.8 8.6 11.1 9.2 9.8 8.6
Telephone
8.7 8.7 7.3 6.5 7.6 11.5 9.5 8.6 6.1
Computer software
6.6 6.4 6.5 6.3 5.2 8.3 6.4 8.0 6.5
Blank VCR tape
11.0 11.6 9.7 8.7 8.8 15.2 11.7 12.5 10.4
Telephone answering machine
2.4 2.3 1.8 1.5 2.5 3.1 3.6 3.1 3.8
Car stereo
3.1 3.1 2.6 3.0 3.1 3.7 3.1 3.2 2.9
Compact disc player
0.5 1.0 1.2 1.8 1.5 1.8 1.6 2.3 2.2
Home computer
5.9 6.4 5.8 5.2 3.9 6.1 4.0 5.2 4.4
Portable stereo with headphones
3.3 3.2 2.7 1.1 1.7 2.3 2.5 1.8 1.7
Stereo
2.7 4.2 4.1 4.8 5.2 5.1 5.1 4.1 4.6
Portable AM/FM stereo cassette player
2.6 4.5 3.4 3.2 2.4 4.7 2.9 3.2 2.5
Television
N.M. 7.3 6.8 6.4 6.4 7.9 7.4 7.0 7.2
Jan. '85 Feb. '85 Mar. '85 Apr. '85 May '85 Jun. '85 Aug. '85 Sept. '85 Oct. '85
* % households might buy
N.M. = Not measured
Source: Chain Store Age/Leo J. Shapiro & Associates

Software perception needs sharpening

Is computer software too boring? Not according to software publishers. They can conduct a tour of today's product that includes more bells and whistles than Times Square on New Year's Eve.

But ask consumers what tasks they expect software to perform, and the result is a pretty hum-drum list of unpleasant chores. The top three uses, according to MarkeTrends, are paying bills (26.2%), keeping records (18.7%) and balancing checkbooks (16.8%)—not exactly the stuff dreams are made of.

Few in the MarkeTrends sample see the personal computer as a tool to expand personal creativity. Unlike other home electronics products, software or computers are not perceived as gateways to adult entertainment.

Without a promise of even a little fun, it looks like the market for software will be limited. Given the choice between buying a computer program that calculates how much he owes Uncle Sam and a video tape of *Casablanca*, the average consumer will probably pick Ingrid Bergman.

Awareness of software is still relatively limited. Among the 1 in 5 in the MarkeTrends poll who classify themselves as experienced with personal computers, fewer than two-thirds (64%) can think of the name of any software.

Apple, which does not even publish software itself, tops the consumer's list, further illustrating a general lack of brand name recognition. Next on the list are IBM, Commodore, Lotus and Texas Instruments. Also mentioned are Radio Shack and Word Star. □

If you got a personal computer, what would you use it for?*

Budgeting/paying bills	26.2%
Keeping books/household records/ rent/utility bills/taxes	18.7
Finances/checkbook balancing/ bank statements	16.8
Schooling/help with school work/ homework	14.0
Entertainment/games	10.3
Business	9.3
Writing	6.5
Math	5.6
Store addresses/phone numbers/ special events	1.9
Real estate purchases	1.9
Set up an office at home	0.9
Hook up to the bank	0.9
Resumes	0.9
Communication purposes	0.9
Other	2.8
No use/no need for one	13.1
Not answering	15.0

*Totals more than 100% due to multiple responses.
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Telephones: Do brand names pay off?

Even though 42.1% of households polled in the most recent MarkeTrends survey say they definitely or almost definitely want a specific brand telephone, top-of-mind brand name awareness does not seem to pay off directly when it comes to actual telephone sales.

In the October poll, AT&T, Bell and Western Electric combine to top the consumer's list with 65.2% of mentions. Following are name brand (not specific) at 11.2%, General Electric (5.6%), store brand (4.5%), and Cobra, GTE and Uniden, all at 3.4%. Also mentioned are Panasonic and Mura.

But even communications giant AT&T does not lay claim to nearly two-thirds of the actual market, and Webcor, which is not mentioned at all by consumers in the study, in reality takes a hefty share of mass market sales.

CSA *research suggests that shelf space* *may determine market share in phones.*

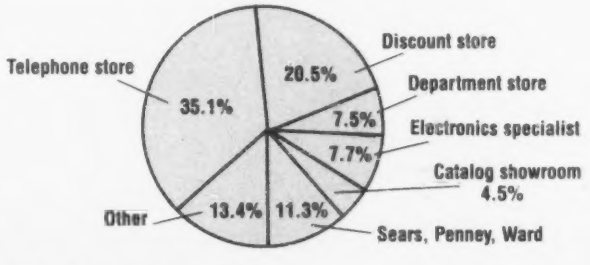
Advertising, suggests the MarkeTrends survey, can buy share of mind, but shelf space may be determining market share. Once in the store, many consumers appear to be shopping price and features, and giving up their preconceived brand choices.

In choosing a store where they would buy a telephone, 2 out of 5 in the poll cite price and discount as the prime reason they would choose a particular outlet.

Consumer interest in buying a telephone, however, has been on a rollercoaster throughout the year. In January, 8.7% of households polled reported that they expected to buy a phone in the next 12 months. In April, the number fell to 6.5%, only to ride back up to 11.5% in June. The most recent survey shows a year-to-date low of 6.1% saying that they will buy a telephone in the next year.

"This industry is almost unpredictable," laments GTE consumer communications vp Freeman Robinson. Both GTE and rival AT&T are predicting industrywide unit sales will hold even or gain slightly on 1984's performance. □

Where did you buy your last telephone?



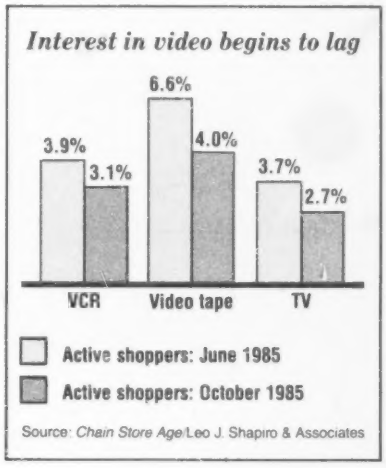
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Will the VCR goose lay an egg?

Video cassette recorder sales will level off after the new year and then show some slippage—that is, if the American market follows the pattern already experienced in Japan.

MarkeTrends research indicates that video cassette recorders have already hit a 27.5% household penetration. In Japan the growth spiral leveled off when penetration reached about 1 in 3 homes.

But will it happen here? One factor arguing against a quick slowdown is the current round of price cuts. A controlled pattern of distribution in Japan, which effectively limits a retailer's ability to discount and thus drive the market by price promotion, does not exist in the United States.



A strong argument in favor of a slowdown, however, is overall declining consumer interest in video itself. Since June, the number of households in the MarkeTrends survey that are actively shopping for a VCR has dropped 18%. Active shoppers for blank video tapes have fallen 39%, and consumers shopping for televisions have decreased 27%.

Still, video remains at the top of the consumer's buy list. Blank video tape, video cassette recorders and television are the three electronics categories in which consumers express the highest interest.

While the goose which laid the golden egg is in no danger of dying, she may have reached the limits of her fertility. □

Looking into the crystal ball

Jeanne Dixon makes her living predicting the future in tabloid supermarket magazines. Often her prognostications come true; I suspect the majority do not. Few remember when she is wrong, and in the end who really cares, since it is all done in the spirit of entertainment.

At *Chain Store Age* we also are in the business of making predictions. Our purpose here, though, is a little more serious. We attempt to track the products, the price points, the brands and the merchandising strategies which will work tomorrow, not just report which worked yesterday.

Unlike the tabloid prognosticators, we expect to be held accountable for our predictions, since this is the only way our readers can judge the quality of the information we provide.

Looking back over the past two years, we have chalked up a pretty decent record. There have been some false steps, but on the whole we have been right on the mark.

In the spring of 1984 the president of one major electronics specialty chain told *CSA* that consumers were not interested in compact disc players because we were in the middle of a video revolution. At that time fewer than 80,000 CD players had been sold to dealers. Nonetheless, *CSA* predicted that the CD player would be a hit.

By August of last year *CSA* was predicting sales for compact disc players would jump at least 180% in 1985. We called that one right on the nose. Ten months after *CSA*'s projection, the Electronics Industries Association upped their own estimates. They now predict a 188% increase in 1985.

Last year was a tumultuous year for personal computers and software. While others were still cheering at the sidelines, *CSA* readers could see it in our headlines: "Home computers on horizontal path" and "Software sales show steady growth." Both turned out to be accurate.

When *CSA* talked about video cassette recorders 14 months ago, we made a mistake. We said that VCR sales in 1985 would increase 20% over 1984. In fact, it looks like there will be a 50% jump. What *CSA* did predict accurately, though, was the increasing share discounters would take and the incredible price cuts experienced going into this Christmas selling season.

Sixteen months ago *CSA* greeted the introduction of 8mm video cassette recorders with a resounding yawn. The best *CSA* could find to say about 8mm at the time was that there would be a limited market.

As recently as June of this year, *CSA* remained unconvinced. Our headline four months ago was hardly an endorsement: "8mm not an orphan, but needs friends."

I think that we were wrong about 8mm. Over the summer, retailers began to tell me that we were wrong. They told me that Sony's entry into 8mm had totally changed the market's complexion. Department stores in particular began selling so much 8mm that they were having problems keeping camcorders in stock.

Two department stores, each with very different merchandising plans and customer bases, both told me that their five-year plans now call for 8mm to be the dominant video format by 1990.

I am convinced. That's the reason for this month's lead consumer electronics story about 8mm. *CSA* was too conservative and cautious in its approach to 8mm, and this month's story is an attempt to set the record straight.

—Rick Gallagher

Treats may be scarce in October

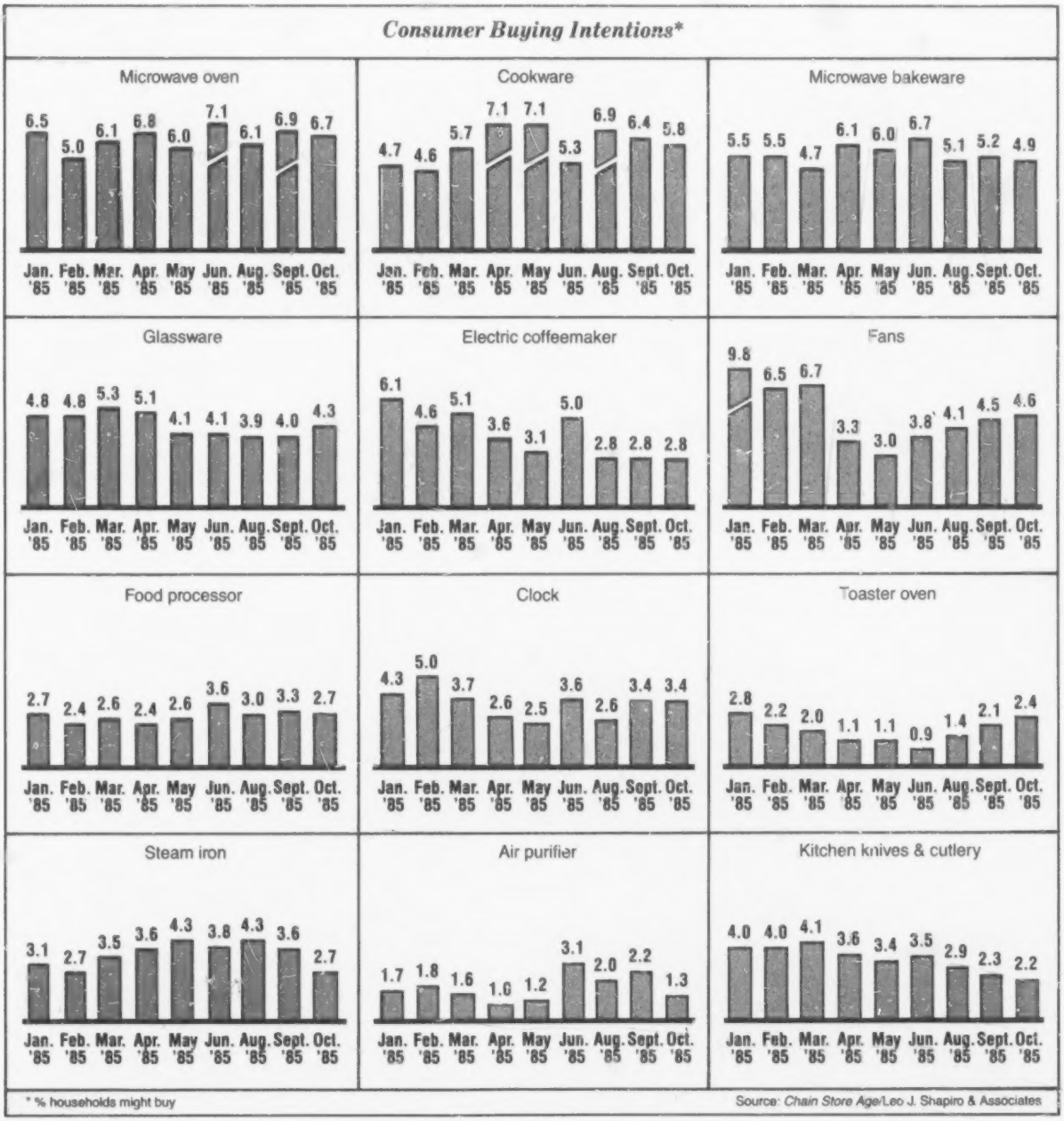
Retailers are banking on a bang up Christmas for the housewares category. October, however, does not appear to be the month consumers will kick off their buying sprees.

Buying intentions dwindled in 7 of 12 tracked categories. The only three areas where consumers are revving up purchasing plans are glassware, fans and toaster ovens. Purchasing intentions for clocks and coffeemakers stayed on par with last month.

Microwaves, the darlings of the housewares category, are also not as high on shopper's lists as in earlier months of 1985. Buyers from Bamberger's, A&S and Montgomery Ward are still counting on microwaves to be a big item for Christmas. Most are embarking on heavy promotional campaigns to stir up sales.

Food processors will also be more heavily promoted in the months to come as vendors try to compete with Sunbeam's new Oskar. Despite the impact Oskar has made, intention-to-buy a food processor declined from 3.3% of the households surveyed last month, to 2.7% in October.

Retailers are worried that if buying intentions do not perk up, Christmas will not be as cheery as they had hoped. □


Consumer Buying Intentions*
Microwave oven
6.5 5.0 6.1 6.8 6.0 7.1 6.1 6.9 6.7
Cookware
4.7 4.6 5.7 7.1 7.1 5.3 6.9 6.4 5.8
Microwave bakeware
5.5 5.5 4.7 6.1 6.0 6.7 5.1 5.2 4.9
Glassware
4.8 4.8 5.3 5.1 4.1 4.1 3.9 4.0 4.3
Electric coffeemaker
6.1 4.6 5.1 3.6 3.1 5.0 2.8 2.8 2.8
Fans
9.8 6.5 6.7 3.3 3.0 3.8 4.1 4.5 4.6
Food processor
2.7 2.4 2.6 2.4 2.6 3.6 3.0 3.3 2.7
Clock
4.3 5.0 3.7 2.6 2.5 3.6 2.6 3.4 3.4
Toaster oven
2.8 2.2 2.0 1.1 1.1 0.9 1.4 2.1 2.4
Steam iron
3.1 2.7 3.5 3.6 4.3 3.8 4.3 3.6 2.7
Air purifier
1.7 1.8 1.6 1.0 1.2 3.1 2.0 2.2 1.3
Kitchen knives & cutlery
4.0 4.0 4.1 3.6 3.4 3.5 2.9 2.3 2.2
Jan. '85 Feb. '85 Mar. '85 Apr. '85 May '85 Jun. '85 Aug. '85 Sept. '85 Oct. '85
* % households might buy
Source: Chain Store Age/Leo J. Shapiro & Associates

Good coffeemakers never die

The problem with electric coffeemakers, from a sales standpoint, is that the products are just too good.

That is according to this month's MarkeTrends research of consumers who brew fresh coffee. Those surveyed are so satisfied with their current coffeemaker that they are not motivated to replace it. Eighty-eight per cent of the households interviewed say they are completely happy with their present unit.

The percentage of households indicating plans to buy a new coffeemaker reflects this. Only 2.8% of the households surveyed expect to buy within the next year.

Retailers suggest promoting coffeemakers to accelerate replacement sales before a new coffeemaker is actually required. Many buyers believe customers can be enticed by features such as automatic drip or automatic timers. In fact, the ideal coffeemaker, according to those surveyed, would be drip unit capable of brewing nine to 10 cups.

Among those not completely satisfied with their present units, about 43% indicated they would be pleased if their machine produced better flavor.

Among the two-thirds of households surveyed who brew fresh coffee, 95% make it daily. One out of 8 of all U.S. households report keeping fresh coffee on hand most of the day. □

If you bought a coffeemaker, what brand would it be?

Mr. Coffee	22.4%
G.E. (now Black & Decker)*	22.4%
Norelco	7.5%
Proctor-Silex	7.5%
Farberware	3.0%
Regal	3.0%
Krupps	3.0%
West Bend	3.0%
Oster	1.5%
Mirro	1.5%
Coffee Mate	1.5%
Corning	1.5%
Revere	1.5%
Italian Brand	1.5%
Not answering	19.0%

*Although product now says Black & Decker, consumers are responding G.E.
Source: *Chain Store Age*/Leo J. Shapiro & Associates.

***Retailers note that** consumers are slow to replace their present coffeemakers.*

Are microwave sales ebbing?

***Microwaves with unique** features are where buyers are putting their dollars.*

Now that 40% of the population owns a microwave, retailers are worried they may not be able to sustain the phenomenal sales growth they have enjoyed over the past three years.

More than nine million units were sold last year, according to the Association of Home Appliance Manufacturers. During that period, retailers sat back and watched the units fly out of the stores. A drop in price from an average of $400 per oven to $300 helped microwaves become a basic in the kitchen.

However, the business is now nearing that crucial stage where vendors will have to rely on replacement sales to keep volume afloat. There may already be some trouble: Intention-to-buy a microwave slipped from 6.9% of households surveyed last month to 6.7% for October. This is worrisome because microwaves should be high on shopper's lists as Christmas approaches.

In order to generate replacement volume, many retailers are putting dollars behind unique microwaves. At the high-end, buyers are looking at units with many features. Especially popular are turntables, temperature probes and touch pads. A few department stores are hoping the new rage will be microwave/convection models, which now account for between 6% and 7% of sales.

Then there are the downsized microwave wars. Hands down, Litton's Little Litton has been a resounding success. With its inexpensive price point (under $200) and its compact size, Little Litton has become an apartment dweller's or student's dream.

The other mini-microwave making a splash is Sharp's Half-Pint, a 0.6 cubic foot unit already priced at a low $129.99 in the New York City market.

The majority of households surveyed think of Sears, Montgomery Ward or J. C. Penney when they want a microwave. Almost 30% mentioned one of these outlets, with 19% selecting Sears. Discounters garnered 23.5% of the sample, department stores 23.5% and catalogers 7.4%. □

How much would you expect to pay for a microwave oven?

$125 to $149	1.1%
$150 to $199	5.6%
$200 to $299	34.4%
$300 to $399	38.9%
$400 to $499	10.0%
$500 to $699	5.6%
$700 to $799	2.2%
$1,000 to $2,000	2.2%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

SilverStone image has nary a scratch

One message rings loud and clear in this month's MarkeTrends: Consumers still want products with SilverStone.

Despite the influx of new anodized, copper and professional cookware, today's average shopper still hunts for the SilverStone seal. In fact, research from *Chain Store Age*/Leo J. Shapiro & Associates suggests shoppers actually consider SilverStone a brand name. When asked what brand cookware they would buy, 15.1% indicated SilverStone. That was even with those requesting Revere Ware and higher than responses for Regal (3.8%) and Farberware (3.8%).

If you decided to buy cookware . . . which store would you be most likely to shop?

K mart	11.8%
Other discount stores	11.8%
Sears	19.1%
Ward	4.4%
Penney	5.9%
Department store	23.5%
Catalog showroom	7.4%
Product specialty store	2.9%
Grocery store	2.9%
Variety store	1.5%
Other	8.8%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Many retailers find it wise to highlight SilverStone products in ads. For example, New Jersey's Bamberger's recently featured Meyer's Cook 'n Look set with SilverStone for $69.95 and A&S touted its own cookware with SilverStone at $69.99 for a nine-piece set.

Sales are a key to the business, according to the research, with almost 55% of the households queried indicating their last cookware purchased was at a sale price. Just over 51% of the sample selected the outlet they would buy cookware at based on price/discount. Quality, however, is also important according to 21% of the poll.

Shoppers are firm in their selections. Almost 50% indicated they are sure the brand they listed is the one they "definitely" want. □

Unique idea: Market to the masses

Around our office, we have banned the use of the term Yuppie. Instead, we have opted for Doonesbury's terminology—the Y-Word.

We have abolished the word because it is overused. Imagine how many retailers we interview daily who tout their new prototype as aimed at the upscale customer. Or, guess how many vendors insist they have the product every Yuppie will clamor to buy. Too many—that is why we suggest retailers and vendors try something unique and market to the average shopper.

According to Marilee Hartley, co-author of The Yuppie Handbook, vendors should not think cosmetic alterations can make a product appeal to a Yuppie. "Aluminum cookware with plastic handles just doesn't do . . . Yuppies can't be fooled," she says.

Another reason Yuppies should be left to the Zabar's of the world is that less than 20% of the population truly fits the mold. That is certainly not enough to keep the average store afloat.

Also, these Y-worders are not free from debt—it costs a great deal of money to keep Akitas in obedience school.

Perhaps retailers and vendors should shift their emphasis back to the middle America. There really is—as some have found—a risk of upscaling too far.

In housewares, there are retailers who eschew Yuppies. Zayre, of course, is a logical example. Others include RG. Branden's, MainStreet and Montgomery Ward's new prototype. Opened last month in Annapolis, Md., the prototype is aimed at a better grade shopper than a typical Ward. But it is not, according to a chain topsider, targeted to draw Yuppies.

"We do not want to become a department store," elaborates Ward president Bernard F. Brennan. "We are not looking for a trade-up customer, we just want the customers we have to spread dollars around the rest of the store."

In other words, customers shopping Ward for an appliance or tool, will now think of Ward when shopping for housewares.

While J. C. Penney is busy injecting its mix with Cuisinart cookware and $700 Faema Contessa cappuccino makers, Ward has drawn the line at Braun. It also deleted some "upscale" techniques used in the initial Home Stores such as open stock glassware. After all, Ward knows it will take more than a tiny group of Yuppies to make its stores the success it hopes they will be.

* * *

Product proliferation can really sandbag unique ideas. It seems everytime a housewares vendor launches something truly unique . . . knock-offs are on the shelves within months. The copy merchandise is often made of lesser quality and sold at a cheaper price.

A few examples of products that were unique and are being rapidly copied include Salton's Wet Tunes, anything under-the-cabinet, Sunbeam's Oskar and rechargeables. Instead of imitation, vendors should seek innovation.

"Do something different," pleads Joe Palmisano at Caldor. As an example, he cites Conair's new blister carded blow dryer complete with a brush and mousse all retailing for under $12.

"Now that's unique," he adds.

So many times, vendors copy products to tap into a current craze. Instead of unabashedly copying—why not improve it. It will keep everyone in business much longer.

—Faye Brookman

Sales sluggish in second quarter

A sluggish retailing climate in which shoppers spent their dollars more judiciously during the second quarter produced stronger results for department stores than The Big 3 general merchandise chains and discounters.

Flat sales and earnings during the first half of the year have prompted many retailers to raise their expectations for the fourth quarter even higher.

Department stores were, for the most part, able to turn the tight consumer spending pattern to their advantage by cutting prices on their higher-end merchandise and luring customers away from discounters. Particularly hard hit were private label programs that were pitted against the top fashion labels in traditional department stores.

Sears, Penney, and Ward suffered through a second quarter that produced substantially reduced combined earnings. One analyst speculated that the chains may have applied too tight a rein to inventory control, and that they also suffered from higher operating costs. The Big 3 and discount store chains seem intent on positioning themselves to take advantage of stronger projected fourth quarter earnings and sales, at the expense of second and perhaps third quarter performance.

Woolworth, Wal-Mart, SCOA, and Ames proved the exceptions to flat earnings. Their success can be credited to their ability to control costs while not allowing margins to erode in a more price-conscious retail climate.

Toys "R" Us was only able to match its second quarter earnings from last year. The company says sluggish consumer spending required it to adopt a competitive pricing strategy to boost sales. The specialty chain did suffer some deterioration in its margins, but tightly controlled expenses were able to offset it.

Several other traditionally strong performers also reported flat earnings during the quarter. Dayton Hudson's net moved ahead just 2.3% on the strength of operating earnings gains at Mervyn's. Operating profits in the three other divisions all declined.

Carter Hawley Hale continued to show improved performance. Earnings from continuing operations were $7.7 million in the quarter, compared to the loss of $21.8 million for the second quarter in 1984. (CHH recorded net earnings of $39.5 million in the second quarter last year because of a one-time gain from the sale of Waldenbooks to K mart.)

Sales and earnings flat in first half

Chain	2nd quarter (000 omitted) 1984	1985	% change	1st half (000 omitted) 1984	1985	% change
Penney	49,000	30,000	– 40.4	118,000	80,000	– 32.2
Sears[2,4]	158,800	73,500	– 53.7	181,700	81,800	– 55.0
Ward	1,548	1,432	– 7.0	(1,000)	1,000	—
Subtotal	**209,348**	**104,932**	**– 49.8**	**198,700**	**162,800**	**– 18.1**
K mart	144,400	74,800	– 48.2	202,404	133,300	– 34.1
Ames[5]	5,786	6,953	+ 20.0	11,949	12,739	+ 6.6
Roses	5,812	3,477	– 40.2	9,505	6,780	– 28.7
SCOA (Hills)	2,453	4,695	+ 91.4	3,579	4,202	+ 17.4
Wal-Mart	58,964	71,809	+ 21.8	102,607	123,499	+ 20.4
Woolworth[1,2]	19,000	27,000	+ 42.0	23,000	33,000	+ 43.5
Zayre	12,435	15,005	+ 20.7	23,036	32,061	+ 39.2
Subtotal	**248,850**	**203,739**	**– 18.1**	**372,146**	**338,214**	**+ 9.1**
Allied	16,714	30,996	+ 85.4	31,446	48,213	+ 53.3
Associated Dry Goods	18,400	14,500	– 21.2	23,461	23,880	+ 2.0
Carter Hawley Hale[1]	(21,769)[6]	7,725	+ 17.7	13,900	19,325	+ 39.0
Dayton Hudson[1]	39,103	39,984	+ 2.2	67,503	73,435	+ 8.8
Federated	25,027	35,033	+ 40.1	70,843	78,433	+ 10.7
May Co.	37,000	37,800	+ 2.2	64,500	71,300	+ 10.5
Mercantile	12,085	12,884	+ 0.7	26,394	30,480	+ 15.5
Subtotal	**183,325**	**178,922**	**+ 15.4**	**280,054**	**345,066**	**+ 23.2**
Oshman's	1,708	919	– 46.2	1,767	274	– 84.5
Toys "R" Us	11,602	11,843	+ 0.2	21,200	24,022	+ 11.8
Subtotal	**13,310**	**12,762**	**– 4.1**	**23,967**	**24,296**	**+ 1.4**
The Gap	78	418	+436	755	(699)	—
The Limited	16,888	25,744	+ 52.4	30,493	47,090	+ 54.4
Edison Bros.[3]	5,600	3,800	– 32.1	15,600	17,000	– 50.6
Subtotal	**81,437**	**113,310**	**+239.1**	**46,848**	**54,091**	**+ 15.5**
Syms	3,420	3,939	+ 15.2	4,761	5,845	+ 22.8
Clothes Time	1,446	3,828	+164.7	1,981	5,195	+162.2
Subtotal	**22,466**	**29,962**	**+ 33.3**	**6,741**	**11,050**	**+ 63.9**
Total	**654,221**	**539,652**	**– 17.5**	**1,038,321**	**935,517**	**– 9.9**

[1]Continuing operations only. [2]Consolidated operations only. [3]Excludes unusual items. [4]U.S. merchandising only. [5]Includes earnings for Ames and June and July earnings for G. C. Murphy. [6]Excludes after sale gain from sale of Waldenbooks.
( ) Indicates loss.
Source: *Chain Store Age* research.

Child World cuts six month loss

The prospectus for Child World, the toy retailer which recently completed a stock offering, shows that the chain was able to reduce its loss in the first half by parlaying strong sales of traditional toys and games with less reliance on low gross margin merchandise.

Sales in the first half for the 107 store chain rose 19.3% to $88.1 million. The chain lost $1.2 million in the half, down from a loss of $2.7 million in the same period a year ago. Child World says it traditionally loses money in the first half.

Comparable store sales increased just 2% in the half, primarily because of a 44% decline in sales of electronic items. The company also discontinued selling diapers and formula, which helped it boost its gross margin from 28.7% to 30%.

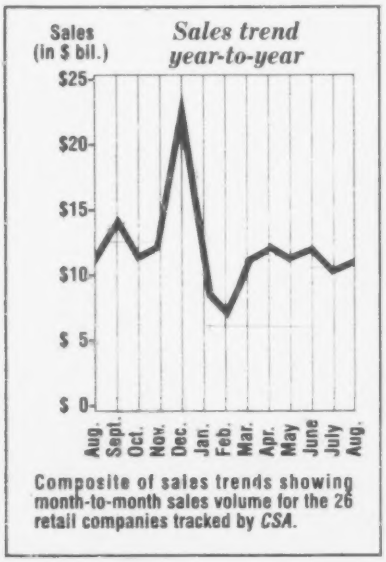
According to the prospectus, Child World estimates that it does about 4% of toy volume in this country. In its last full fiscal year sales moved ahead 21% to $435 million on the strength of a 14% gain in sales of traditional toys and games in stores operating for more than a year. Sales of electronics items declined about 40% on a comparable store basis.

Earnings for the full fiscal year were ahead 14.8% to $11.5 million on a gross margin increase to 31.1% of sales, from 30.2% the year earlier. The gain came principally because of fewer sales of low gross margin electronics items.

B-T-S nudges August sales ahead

August sales rebounded somewhat after a sluggish summer, but not enough to allay retailers' fears that the environment will remain tough for the remaining months of 1985.

Sales for the 26 retailers monitored by *Chain Store Age* rose 9.8% for August and +7.9% for the seven months of the current fiscal year. The August increases come on top of only a modest improvement last year. Volume was also bolstered by the fact the August selling period



Composite of sales trends showing month-to-month sales volume for the 26 retail companies tracked by *CSA*.

was one week further into the back-to-school season this year.

The B-T-S shopping spree resulted in sales gains in women's apparel, lingerie, sweaters, boys' jeans and girls' dresses, says William R. Howell, chairman of J. C. Penney. Penney's sales for the month were up 2.3% over 1984.

At Bradlees, the month got off to a late start, according to Avram J. Goldberg, president and ceo of The Stop & Shop Companies. "The first two weeks of the period were marked by clearance sales, but the last two weeks showed some spark from the back-to-school selling season as consumer demand picked up somewhat."

Bradlees sales jumped 24% during the four week period, the first full period to include sales from the 18 Jefferson Ward stores acquired in July. Comparable store sales increased 10%.

At Dayton Hudson, which reported a 16.5% sales increase for August, chairman and ceo Kenneth A. Macke picked some items that sold particularly well. In consumer electronics, Macke singled out stereo rack systems, VCR's, telephone answering machines and typewriters. Not surprisingly, these are items many students desired for college.

The hot fall apparel looks, he adds, included plaids, paisley prints, denim detail and motif sweaters.

"Generally speaking, we were pleased with back-to-school sales," he says. "However, we don't believe they necessarily indicate that the consumer is back to spending. We see no sign of any real strengthening in retail sales."

In fact, several sources say shoppers are still "leveraged up to their eyeballs in debt."

Wal-Mart vice chairman Jack Shewmaker confirms that feeling by noting consumer transactions are down and shoppers are only buying necessities such as socks and underwear.

The Bentonville, Ark.-based retailer, however, recorded a 32.4% increase in August sales over 1984, with a 10% rise in same store volume.

August sales rebound, but slowly

Major chains	% change	August Sales* 1985	August Sales* 1984	Stores 1985	Stores 1984	7-mo. sales* 1985	7-mo. sales* 1984	% change
Sears[1,8]	+ 1.4	2,192,132	2,161,790	795	805	15,461,943	15,424,465	+ 0.2
Penney[4]	+ 2.3	998,600	976,000	1,983	2,018	6,350,000	6,301,000	+ 0.8
Ward[1,7]	− 2.9	348,161	358,212	316	323	2,389,866	2,464,501	− 3.0
Federated[3,7]	+ 11.6	612,800	549,000	476	404	4,159,900	3,883,100	+ 7.1
Dayton Hudson[1]	+ 16.5	659,700	566,100	1,175	1,124	4,337,300	3,760,000	+15.4
May Dept. Stores	+ 15.9	379,200	327,200	1,976	1,666	2,587,700	2,317,000	+11.7
R. H. Macy	+ 14.0	349,300	306,900	96	91	2,250,700	2,134,700	+ 5.4
Associated Dry Goods	+ 19.8	307,400	256,700	N/A	N/A	2,191,000	1,967,000	+11.4
Allied Stores	+ 10.0	291,100	264,600	630	584	2,063,100	1,979,200	+ 4.2
Carter Hawley Hale[1]	+ 5.9	274,000	258,600	278	254	1,984,500	1,801,000	+10.2
Mercantile	+ 12.1	138,449	123,519	80	79	945,859	847,161	+11.7
K mart[5]	+ 6.1	1,638,362	1,544,190	2,174	2,161	12,094,262	10,898,727	+11.0
Wal-Mart	+ 32.4	732,000	553,000	819	699	4,322,000	3,296,000	+31.1
Woolworth[3]	+ 8.3	303,889	280,600	N/A	N/A	1,947,000	1,807,000	+ 7.8
Household Merch.[2,3]	+ 1.9	397,606	389,984	3,563	3,701	3,017,823	2,907,182	+ 3.8
T.G. & Y.	− 5.6	134,612	142,654	736	764	1,196,616	1,208,668	− 1.0
Zayre[4]	+ 26.5	301,645	238,477	917	800	1,936,403	1,599,830	+21.0
Bradlees	+ 24.2	123,000	99,000	153	130	745,000	683,000	+ 9.1
Roses	+ 10.3	89,625	81,236	198	192	634,871	492,390	+ 8.7
Ames	+128.0	132,600	58,100	566	N/A	659,200	410,200	+61.0
Jamesway	+ 17.0	40,616	34,858	85	79	267,226	236,764	+12.9
Heck's	+ 0.9	41,200	37,900	162	122	271,400	252,200	+ 7.6
Melville[1]	+ 13.6	379,652	334,303	5,451	5,188	2,512,905	2,256,547	+11.4
Tandy	+ 18.0	244,814	207,105	N/A	N/A	1,540,471	1,431,202	+ 7.6
Edison Bros.	− 2.7	64,100	65,900	N/A	N/A	511,400	534,600	− 4.5
The Gap	+ 32.0	73,900	56,000	644	602	310,400	261,200	+18.8
Circuit City	+ 35.0	50,400	37,400	97	N/A	311,600	227,900	+36.7
Total & Averages	+ 9.8	11,163,562	10,166,674			75,703,829	70,173,869	+ 7.9

*000 omitted N.C. = no change N.A. = not available
[1]Store number for full-line outlets only. [2]Includes 2,647 franchise stores (vs. 2,763 a year ago). [3]Includes T.G. & Y. sales. [4]Includes 326 Zayre stores (vs. 278 a year ago), 419 Hit or Miss stores (vs. 384) and 172 T.J. Maxx stores (vs. 138). [5]Excludes supermarket sales. [6]Store count is for K mart stores only. [7]Continuing operations only. [8]Domestic operations only.

Correction

An article in the June issue of *Chain Store Age* misstated 1984 profits for McCrory Stores. The correct profit for the fiscal year was $85.1 million on sales of $918 million. Five year earnings growth for the company based on the corrected figure is 92%. Five year sales growth is 36.2%.

McCrory ended the year operating 723 stores.